

ILLINOIS COMMERCE COMMISSION

DOCKET NO. 04-0476

PREPARED SUPPLEMENTAL TESTIMONY OF

MICHAEL J. ADAMS

TABLE OF CONTENTS

<u>EXHIBIT NO.</u>	<u>TITLE</u>	<u>PAGE NO.</u>
10.10	PREPARED SUPPLEMENTAL TESTIMONY OF MICHAEL J. ADAMS	1 - 2
10.11	REVISED CASH WORKING CAPITAL STUDY	1

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ICC STAFF CROSS EXHIBIT 15

**ILLINOIS COMMERCE COMMISSION**

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**PREPARED SUPPLEMENTAL TESTIMONY OF MICHAEL J. ADAMS**

1      1.      Q.      Please state your name and business address.

2                      A.      My name is Michael J. Adams. My business address is 3920 Pintail Drive, Suite  
3                                      B, Springfield, Illinois 62704.

4      2.      Q.      Are you the same Michael Adams who filed direct and rebuttal testimony in this  
5                                      proceeding?

6                      A.      Yes, I am.

7      3.      Q.      What is the purpose of your supplemental testimony?

8                      A.      The purpose of my supplemental testimony is to present a revised lead-lag study  
9                                      reflecting an adjustment made by Illinois Power Company ("AmerenIP").

10     4.      Q.      Are you sponsoring any exhibits?

11                      A.      Yes. In addition to IP Exhibit 10.10, I am sponsoring IP Exhibit 10.11, which was  
12                                      prepared under my direction and supervision. IP Exhibit 10.11 presents the  
13                                      results of the revised cash working capital study.

14     5.      Q.      What revisions have been made to the cash working capital study that you filed  
15                                      with your rebuttal testimony?

16                      A.      As shown at Column (B), lines 5 and 6, the jurisdictional Deferred Income Tax  
17                                      and Investment Tax Credit expenses, respectively, have been eliminated.  
18                                      AmerenIP witness Mr. Charles Mannix provides the background and explanation

19 for this elimination. As a result, there is no longer a cash working capital  
20 requirement associated with either the Deferred Income Taxes or Investment Tax  
21 Credit, as shown in Column (E), lines 5 and 6. These changes impact the totals  
22 reflected in Columns (B) and (E) at lines 9 and 36.

23 6. Q. Have any further changes been made to your cash working capital analyses?

24 A. No. The changes I have made are solely the result of mathematical computations  
25 due to the removal of working capital requirements associated with Deferred  
26 Income Taxes and Investment Tax Credits.

27 7. Q. What is the effect of the revisions on the cash working capital analysis presented  
28 in your rebuttal testimony?

29 A. IP Exhibit 10.9, which was submitted with my rebuttal testimony, set forth a cash  
30 working capital requirement of \$(1.412) million. Eliminating the Deferred  
31 Income Tax and Investment Tax Credit expenses results in a cash working capital  
32 requirement of \$(1.073) million. This revised cash working capital amount, which  
33 is shown in IP Exhibit 10.11, is used by AmerenIP witness Ms. Peggy Carter in  
34 her presentation of AmerenIP's revised gas utility revenue requirement in IP  
35 Exhibits 2.54 and 2.56.

36 8. Q. Does this conclude your prepared supplemental testimony?

37 A. Yes, it does.

ILLINOIS POWER COMPANY  
Cash Working Capital  
As of December 31, 2003

Line No.	Description (A)	Jurisdictional Expenses (B)	Lags (Leads) (C)	CWC Factor (D) (C)/365	CWC Requirement (E) (B) * (D)
1	<b>Operating Revenues</b>				
2	Gas Operating Revenues	\$ 465,859,352	36.37	0.099648	\$ 46,421,764
3	Return on Equity	(15,148,787)	36.37	0.099648	(1,509,540)
4	OPEB	(3,306,055)	36.37	0.099648	(329,440)
5	Deferred Income Tax	-	36.37	0.099648	-
6	Investment Tax Credit	-	36.37	0.099648	-
7	Depreciation	(26,058,452)	36.37	0.099648	(2,596,662)
8	Bad Debt/Uncollectibles	(3,066,934)	36.37	0.099648	(305,613)
9	<b>Total</b>	<b>418,279,124</b>	<b>36.37</b>		<b>41,680,509</b>
10	<b>Operating Expenses</b>				
11	Pensions and Benefits	5,204,000	(13.66)	(0.037430)	(194,785)
12	Base Payroll	28,787,634	(13.01)	(0.035636)	(1,025,888)
13	Federal Withholding Taxes	5,297,375	(11.93)	(0.032681)	(173,126)
14	State Withholding Taxes	1,003,532	(11.93)	(0.032681)	(32,797)
15	Employer paid FICA Taxes	2,230,012	(11.93)	(0.032681)	(72,880)
16	Fuel	315,511,846	(23.65)	(0.064807)	(20,447,514)
17	Other Operations and Maintenance Expenses	15,924,999	(48.46)	(0.132772)	(2,114,387)
18	<b>Sub Total</b>	<b>373,959,398</b>			<b>(24,061,376)</b>
19	<b>Interest Expense</b>	<b>44,675,674</b>	<b>(127.93)</b>	<b>(0.350487)</b>	<b>(15,658,261)</b>
20	<b>Taxes Other Than Income</b>				
21	Employee paid FICA Taxes	2,230,012	(11.93)	(0.032681)	(72,880)
22	Gross Receipts Tax	6,587,824	(30.43)	(0.083369)	(549,223)
23	Gas Revenue Tax	12,390,712	(21.09)	(0.057793)	(716,097)
24	Energy Assistance Charges	3,835,254	(57.58)	(0.157749)	(605,006)
25	Federal Unemployment Taxes	30,162	(11.93)	(0.032681)	(986)
26	State Unemployment Taxes	125,786	(11.93)	(0.032681)	(4,111)
27	Real Estate Taxes	376,100	(427.64)	(1.171630)	(440,650)
28	Invested Capital Taxes	2,780,000	(30.36)	(0.083166)	(229,537)
29	ICC Gas Revenue Tax (PUF Tax)	356,330	28.02	0.076767	27,354
30	Corporate Franchise Taxes [a]	344,267	173.67	0.475795	163,800
31	Sales and Use Tax	176,913	(50.36)	(0.137975)	(24,410)
32	<b>Sub Total</b>	<b>29,213,359</b>			<b>(2,451,744)</b>
33	<b>Income Taxes</b>				
34	Federal	2,229,400	(68.48)	(0.187619)	(418,277)
35	State	876,464	(88.10)	(0.186583)	(163,533)
36	<b>Sub Total</b>	<b>3,105,864</b>			<b>(581,810)</b>
					<b>\$ (1,072,682)</b>

NOTES

[a] Includes \$92,336 in Federal Pipeline User Fee Assessment which are paid on a schedule similar to that of Corporate Franchise Taxes